GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1625
ANSWERED ON:25.11.2016
Boosting of Foreign Investments
Gandhi Shri Feroze Varun

Will the Minister of FINANCE be pleased to state:

(a) whether the Government proposes for introduction of price band system instead of the currently mandated fair price mechanism for transfer of equity instruments with inbuilt options in order to boost foreign investment
(b) if so, the details thereof including specific details of the possible price band to be introduced; and
(c) the safeguards put in ptace so that these equity instruments do not become debt instruments?

Answer

The Minister of State in the Ministry of Finance (SHRt ARJUN RAM MEGHWAL)
(a) to (c) There is no such proposar. The pricing guidelines for transfer ot shares from resident to non-resident is stipulated vide Ap DIR Circular No.86 dated January 09,2014 and Ap (DIR Series) Circular No. 4 dated Juty 15, 2014. As per these guidetines capitat meant equity shares, fully and mandatory convertible preference shares and fully and mandatory convertible debentures which can have an optionality subject to certain conditions that there is a minimum lock in period of one year and there is no assured return to the investo. at the timc ot exit The pricing guidelines stipulated that t.ansfer of share from non-resident to resident were to be at a price not more than the fair value arrived as per any internationally accepted pricing methodology on arm"s length basis.
Government has put in place a liberal, transparent and investor-friendly policy on Foreign
Direct Investment (FOI) wherein most of the sectors are open to FDI under the automatic route.The Government revjews FDI policy on an ongoing basis and significant changes are made in the FDI policy regime, from time to time, to ensure that India remains increasingly attractive and Investor-friendly investment destination. All such policy decisions are avairable on lhe websile of Department of Industrial policy & promotion (Dlpp) (www.dipo.nic.in).